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# THE FARMERS' BANK

## SPEECH OF Haughton Lennox, M.P.

condemning  
Hon. W. S. Fielding,  
MINISTER OF FINANCE.

Delivered in The House of Commons  
on  
May 2nd 1911.

This House regrets that in permitting The Farmers' Bank of Canada to commence and continue business the Minister of Finance and the Treasury Board failed to exercise such proper care and to take such reasonable precautions as were necessary to prevent evasion of the law and to protect the public interest.

*Amendment moved by Mr. Lennox on motion  
to go into Committee of Ways and Means.*

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Mr. Lennox's resolution expressing regret that the Finance Minister and the Treasury Board had not taken greater precautions for the protection of the public against defects inherent in the bank's affairs at the outset was foredoomed to defeat. It was voted down by the Government's majority. Its introduction, however, was none the less a service due to the public, and Mr. Lennox and the supporters of the resolution deserve the thanks of the people of Canada. It is regrettable that a majority of the members in the House voted against the resolution, but it would have been far more regrettable if there had been no one to bring it forward. This Farmers' Bank disaster is an extremely serious one for the victims of it. It is of extremely serious import for the country. It is serious as a symptom, and the Government will find it serious as an influence in the next general election.—Toronto Mail and Empire

# **SPEECH OF HAUGHTON LENNOX, M. P.**

**Condemning the action of the Minister of Finance  
in connection with the Farmers' Bank.**

**Gross neglect of the Public Interest  
clearly established.**

**Mr. Fielding in reply practically admitted the  
charge, yet called upon his Supporters to  
vote down Mr. Lennox's Motion.**

Before you leave the chair, Mr. Speaker, I desire to draw your attention, very briefly, to the question of the Farmers' Bank. In view of the previous discussion this session it will not be necessary for me to go very deeply into the matter, and I can confine myself, in the main, to the records contained in returns brought down to the House. The Farmers' Bank was incorporated in 1904. I have nothing to say in reference to the incorporation of the bank. The Bank Act gives a year in which to organize and get subscriptions, and as they failed to do that within the year they came back to parliament in 1905 and the Committee on Banking and Commerce thought well to renew their charter for another year. They came back again in the spring of 1906 and asked for an extension for another year and they were granted an extension for six months.

## **The Minister Was Warned by the Delay.**

I recognize that the Minister of Finance has a duty common to all members of the committee to scrutinize the legislation proposed, and I have no doubt he discharged that duty then. It may be that the Minister of Finance, by reason of his position, has a greater obligation on him than an ordinary member of the committee, but I am not disposed to urge that view at present more than to point out that, having regard to the failure of these people during two years to put themselves in a financial position to transact business, the minister as he tells us was

re luctant to grant them an extension of time. That was significant only in that the mind of the Finance Minister being in that state at that time, we would apprehend that he would remain seized of that idea and that he would therefore exercise special diligence and care in scrutinising the application of the bank for a certificate to do business. Further than that I have nothing to say with reference to the propriety or impropriety of incorporating this company. I am not aware that the Minister of Finance mentioned to the House, when the Bill came before it, finally, the difficulties he felt in regard to the extension of time. I would suppose that probably the minister, feeling that it was doubtful whether this company should be granted an extension of time, might have felt it incumbent on him to mention to the House the doubt in his mind. However, I will let that point go.

## **A Warning and an Offer.**

I come, therefore, to deal with the question of granting the certificate, and the first point I have to refer to in that connection is the letter of Mr. Leighton McCarthy, which was mailed to the minister on the 8th of October, 1906, from Toronto. I need not refer to that letter further than to say that Mr. McCarthy assures the minister that grave conditions have arisen which require careful consideration before the Treasury Board grants a certificate, and Mr. McCarthy asks that an opportunity be afforded him of discussing the matter with the minister, and

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he mentions that he could come down to Ottawa at any time if the circumstances are urgent; but he would prefer not to come until the following week. That letter was not answered spontaneously, and it was followed on the 11th of October by a telegram from Mr. McCarthy. That telegram was answered on the same date by the Finance Department. But the letter of the 11th of October to Mr. McCarthy from the department ignores his suggestion that he should be given a personal interview. It intimates that a personal interview is not desired and simply tells Mr. McCarthy to forward his representations and they will receive due consideration. In other words, so far as I can see, the Minister of Finance, to use the phrase of the Prime Minister, was not actuated by any great feeling of curiosity at that time.

#### **Another Warning. -- A System of Fraud Shown.**

We come then to the letter of the 19th October from Mr. McCarthy, which is important. It says:

I beg to enclose the special endorsement upon a writ of summons in the High Court of Justice of Ontario, which will be issued by Wm. A. Dixon and others.

The names of about a dozen persons are given as plaintiffs. This letter was sent to the hon. Minister of Finance in pursuance of what Mr. McCarthy said he wanted to do, namely, to call the attention of the department to certain irregularities and frauds in connection with the obtaining of stock subscriptions for the Farmers' Bank. In that letter Mr. McCarthy points out that this suit is not merely on behalf of those named, but also of other subscribers to shares who will come in and join in it. He also says that not only the grounds alleged in the special endorsement, but other grounds which may be disclosed upon the examination of the alleged subscribers for shares will be furnished. Mr. McCarthy then proceeds to say:

I have received information that the alleged subscribers for shares paid a large sum of money in cash and have signed notes for other large sums of money, and that the persons professing to act in the name of the bank have transferred notes and received the proceeds, and that a deposit either has been made or will be made of the cash received and the proceeds of these notes, or a sufficient amount to make up \$250,000.

Mr. McCarthy concludes by saying:

I would be pleased to go to Ottawa upon any appointment you make for the further consideration of this matter.

This was the second offer from Mr. McCarthy to come to Ottawa and have a personal interview with the minister and disclose to him all the facts and circum-

stances which prompted Mr. McCarthy to say that the whole business had been initiated in fraud.

#### **General Dishonesty Disclosed.**

It is necessary that we should refer to some of the statements contained in the special indorsement upon the writ which Mr. McCarthy forwarded to the Minister of Finance. This special indorsement says:

That the subscriptions for shares which were procured from the plaintiffs and others were procured through fraud and misrepresentation.

I would like to call the attention of the minister to the fact that this indorsement is not confined to eight or ten, or a dozen names of parties who allege fraud, but it goes on to say that Dr. Stewart appeared as subscribing for shares to the amount of \$10,000, whereas in fact he had not subscribed for any shares. That Major Beattie, represented by the inspectors to have consented to act as a director, had not subscribed for any shares, refused to be a director, and refused to allow his name to be used in any way in connection with the bank; and that names of others were represented by the inspectors to have consented to act as directors who had not subscribed for any shares, or given any authority for any such publication. Then it goes on to say:

And the plaintiffs allege that the acts and proceedings of the provisional directors were illegal and irregular; that the agents and solicitors, professing to act under the name and authority of the provisional directors, procured a large number of subscriptions for shares, and received the sum of about \$175,000 more or less on account thereof, and also procured promissory notes to be signed by persons who were subscribing for shares, and these persons were endeavoring to discount these notes for the purpose of meeting the \$250,000 that had to be deposited with the government.

That the persons professing to act under the authority of the provisional directors did unlawfully deduct large sums for alleged services and commissions and other purposes out of the moneys received by them.

And the plaintiffs further allege:

That the shares and the money and the promissory notes procured from them were procured through fraud, deceit and misrepresentation; and that all money, promissory notes and other obligations received as aforesaid by all persons acting or professing to act in the name of and on behalf of the Farmers' Bank of Canada, or of the provisional directors, or any of them, are impressed with a trust in favour of all the subscribers for shares who may desire to come in and become parties to the action.

I read this special indorsement for the purpose of calling the attention of the Minister of Finance to this point, that while there were specific allegations with reference to twelve or thirteen who were beginning proceedings, there were general allegations of fraud, misconduct, irregu-

larities and disregard of the Bank Act as to the transactions generally of the Farmers' Bank and its representatives in obtaining the means to transact business.

### Information Ignored and a Promise Broken

It will be noted that Mr. McCarthy asks for an interview, and that his letter of the 19th October was not answered until the 23rd. And it is a significant fact that all through this correspondence, every letter that affected the Farmers' Bank, or Mr. Travers, was acted upon, and answered with an amazing degree of promptness, whereas everything that interested the public was delayed or ignored.

Replying to this letter to Mr. McCarthy, of the 23rd October, 1906, the deputy minister said:

I beg to acknowledge the receipt of your letter of the 19th inst. to Mr. Fielding's address respecting the Farmers' Bank of Canada. When application is made by the Farmers' Bank to the Treasury Board for a certificate to enable them to commence business, the representations contained in your letter with its inclosure will be laid before the Board.

That was never done.

Mr. FOSTER. Hear, hear.

Mr. LENNOX. I noticed during the last discussion that it was alleged that **probably** this was not done. Well, I have here the means of proving absolutely that it was never done. You will note that Mr. McCarthy urged at least twice that he be granted an interview so that he might discuss the whole matter with the minister. As a member of parliament he had a duty to discharge, and he desired to have the minister seized of the whole situation both as regards his clients and the public generally, and the other subscribers to the shares. But for some reason the minister absolutely ignored the petition of one of his own supporters to have this matter investigated in the satisfactory way in which it might have been investigated, if a committee such as we moved for had been given. On October 23, Mr. Travers forwards the receipt for the \$250,000 deposit, and on October 24, with that promptness which has characterized this branch of the case, the very day upon which it was received, the deputy minister writes, acknowledges the receipt of the money, and says:

I may say in this connection that opposition has been filed in this department to the granting of a certificate to your bank under section 14 of the Bank Act.

T. C. BOVILLE,  
For Deputy Minister of Finance.

### Another Warning to the Minister. — He Knew This Letter to be False.

On October 29, we have this amazing letter from Mr. Travers:

Toronto, October 29, 1906.

The Hon.  
The Deputy Minister of Finance,  
Ottawa, Ontario.

Dear Sir, — Yours of the 24th, post-marked October 26, was received here on the 27th.

I was surprised to know that any one had filed an opposition against this bank being granted a certificate.

Would you kindly do me the favour of supplying me with a copy of the said objections, as I do not know up to the present moment wherein we have deviated in the slightest effect from the Bank Act.

W. R. TRAVERS,  
General Manager.

At that time, on October 29, when Mr. Travers wrote this letter, and on October 30, when it was received in the Department of Finance, the department by perusal of the newspapers to which allusion has been made, possessed full and ample knowledge that that statement was absolutely false, and it is not unimportant that we should keep that point firmly in mind.

### Why Want McCarthy to Withdraw?

The Finance Minister knew at that time, as I submit, that the statement of Mr. Travers that he was not aware of any irregularity, or any charge that could possibly be made against him, was not in accordance with the facts.

On October 30, 1906, a letter was addressed to Mr. McCarthy, as follows:

Ottawa, Oct. 31, 1906.

Leighton G. McCarthy, Esq., K.C., M.P.,  
Toronto, Ont.

Dear Sir, — Referring to your letter of the 19th instant, addressed to Mr. Fielding, on the subject of the Farmers' Bank of Canada and the issue of a certificate to that bank to commence business under section 15 of the Bank Act. I notice recently a reference in the newspapers to a judgment given by Judge Anglin in a suit relating to this matter. In view of the decision rendered, I shall be obliged if you will let me know if you still desire the protest contained in your letter to be brought before the Treasury Board upon an application of the Farmers' Bank for a certificate to be considered.

T. C. BOVILLE,  
For Deputy Minister of Finance.

That I venture to say is a somewhat remarkable letter. Why did the Deputy Minister write that letter at all? Has he noticed something in the newspapers, and he, therefore, thinks it is well to ask Mr. McCarthy to withdraw the protest he had entered, and which Mr. McCarthy wanted to supplement by a viva voce discussion with the minister. It is worth while to ascertain just what the position was in regard to the newspaper matter. Was the newspaper account one that would allay suspicion, and lead the Department of Finance to think that all was right or was it one to add to their suspicion, and give them additional reasons for not granting a certifi-



cate? I have taken pains to look into that question, and I find that the case came up in court on Saturday, October 27, and that it appeared in the Toronto papers on Monday, October 29. It would reach Ottawa on the evening of Monday, October 29. Again I call attention to the promptness with which the Department of Finance deals with anything that will help Travers to get through this charter.

#### Newspapers Added to the Evidences of Fraud.

On October 29, items appeared in the Toronto papers. They are sensational items, covering several columns, they are not in the ordinary Osgoode Hall news. The account shows that **general fraud was charged**, that there was an affidavit by Mr. William Laidlaw, K.C., showing not only specific fraud as affecting his clients, but a **general system of fraud** in the initiation of the bank. That is what is in the newspaper and that is what Mr. Boville read. Then it is pointed out in the newspaper accounts that the matter is only tentatively disposed of, that it will not be actually disposed of until the 1st of November, so that they are in a hurry as you see. And then, to make it more easy for the department, to call on Mr. McCarthy, as they do, to withdraw his protest against the issue of the certificate, there are such headlines as: "**Farmers' Bank avoids threatened windup.**" "**Plaintiffs bought out.**" "**Oath against oath,**" and statements of this kind. I wonder when I read this letter why the Minister of Finance, having promised to lay this matter before the Treasury Board, is so solicitous to have Mr. McCarthy withdraw this charge. But one is more amazed to find that the very account referred to in that letter which is the only excuse for writing it, is of a nature which ought to intensify the anxiety of the department to have a thorough and full investigation of this matter. They ask Mr. McCarthy if he still wishes to let the Treasury Board know of the pretty general allegations contained in his letter, and they suggest by their letter that he should not press it, because of what they had read in the newspapers, and what they read in the newspapers must have been of the character of what was published in the newspapers, and not of a character on which to base a letter of this kind. Mr. McCarthy was not satisfied, he knew that the suit was not settled.

#### Guilty, and Buying Off Complainants.

What happened was this, and it is set out in the newspapers: Mr. Lindsay got

busy, he hied off into the county of Halton, got hold of the clients of Messrs. Laidlaw and McCarthy without the knowledge of these solicitors, bought them off, and came into court with affidavits that these people were settled with, and Mr. Kappelle, representing the plaintiffs' interests in court, objected to that. There was no one present representing the general public interest at this proceeding as in the other proceedings in connection with this transaction. The judge said that in as much as it was stated that the whole matter was settled there was no necessity to proceed further, and he would leave the matter for final decision until November 1. Mr. McCarthy does not altogether agree with their view. He writes back:

Home Life Building, Victoria St.

Toronto, November 1, 1906.

T. C. Boville, Esq.,  
Acting Deputy Minister of Finance,  
Ottawa.

Dear Sir.—With reference to yours of the 31st ultimo, I will be in Ottawa on Monday or Tuesday of next week when I will do myself the pleasure of calling upon you with reference to the subject matter of your letter.

LEIGHTON MCCARTHY.

This is another circumstance, I submit, to call the attention of the department to the fact that Mr. McCarthy does not regard it as so simple a matter that he could write back and say 'Yes.' Then, on November 2, Mr. McCarthy writes in this way. And I call your attention to the fact, Mr. Speaker, that this is not the complete withdrawal that the department has asked Mr. McCarthy for. It is a qualified withdrawal, as much as to say 'my clients are now safe, and, so far as they are concerned, I have no further protest to make; but you know what I said, about the others; it is up to you to do what you like.'

Mr. FOSTER. Is there anything to show that he saw the minister in the meantime?

Mr. LENNOX. Not a syllable. He never did see the minister, so far as we know from anything that has transpired. You see he has it on his mind that he would like to have an interview with the minister; and, even after this call-off-your-dog letter, he again says: I would like to go down. This is the letter to the minister to which I have referred:

Toronto, November 2, 1906.

Honourable W. S. Fielding,  
Minister of Finance,  
Ottawa.

Dear Sir.—Referring to my letters of the 8th and 9th inst.—

(This is an error. It should be 8th and 19th ult.)

—with reference to the application for a certificate made on behalf of the Farmers' Bank, I am advised by those who are instructing me that the claims made by them in the action brought have been settled by their subscriptions being taken up by some parties interested in the bank and refunding the money paid by the individuals or returning the notes which had been given. The objections which I made on their behalf to the issue of the certificates are therefore withdrawn. Would you mind, therefore, returning to me the papers which I forwarded to you?

Mark you, there is this important item of information, not only conveyed by the newspapers to the department, but conveyed personally to the Minister of Finance by this letter of Mr. McCarthy, that the persons interested in the bank had been compelled to take over the subscriptions to relieve these parties who had brought the suit, to buy them off and give them up their notes. The newspapers show, further, that they had been compelled to guarantee them against the double liability to which they otherwise would have been subject. So the matter stood on the third of November, when this letter arrived.

#### Facts Known to the Minister.

Now, I want to pause here for a moment that we may see what the situation was at that time and of what circumstances the minister had undoubted knowledge on that day. I submit that in the letter of Mr. McCarthy's withdrawal and by the accounts contained in the newspapers there is a full, a sufficient and complete acknowledgement by the persons interested in promoting the Farmers' Bank, that all the allegations contained in Mr. McCarthy's particular claim, as forwarded to the minister, so far as these parties are concerned, were absolutely true. There are some other outstanding features that I should refer to as having been before the minister on the third of November. The first is, that, having regard to the fact that this matter was up in court before Travers wrote his letter of the 29th of October, the minister had specific and clear information on the 3rd of November that Travers' letter of the 29th of October, saying that he knew of nothing wrong, was an absolute falsehood. That is one item in reference to Travers. The second item is, that the winding up proceedings had been averted by a compromise, and by a surreptitious buying off of the plaintiffs behind the backs of their solicitors effected through Lindsay and Travers — the Travers who afterwards secured the confidence of the minister. Travers was charged in these proceedings, as reported in the Toronto newspapers, to which Mr. Boville refers, with fraud, with gross dishonesty, and

with an evasion of the Bank Act, the charge being made by so eminent a K.C. as William Laidlaw, on oath in court. In that statement of fraud others than the plaintiffs — Robert Noble, Dr. Stewart, and others — were all said to have been defrauded, and notwithstanding the settlement of the suit, all the facts remained on record on oath in Osgoode Hall, undisposed of as the minister knew. That a large proportion of the \$250,000 was obtained by discount of notes, as the minister, on the 3rd of November, well knew. That moneys actually collected had been wrongfully, and contrary to the Bank Act, and unlawfully diverted to the payment of commission and other improper purposes, and charges by the agents and solicitors of the bank, as the minister knew, and that the agents and solicitors of the bank were acting irregularly, dishonestly, and contrary to the Bank Act, as was alleged on oath, as the minister also knew. All these circumstances, as I submit, existed on the 3rd of November, to the knowledge of the minister, and were, as I submit, important circumstances to make him hesitate—yes, to make him hesitate even to the extent of refusing—to grant the certificate even if nothing more had been shown.

#### Helping Travers Out.

But it does not stop there. I said a few moments ago that the statements that Mr. McCarthy asked to have laid before the Treasury Board were never laid before the Treasury Board. I have proof in the letter of 7th November, 1906, in which Mr. Boville says, addressing Mr. McCarthy:

Referring to your letter of the 2nd instant, in the matter of an application of the Farmers' Bank of Canada for a certificate to commence business, I beg to enclose herewith the papers forwarded with your letter of the 9th October.

Returned on the 7th of November, or some weeks before the application of the Farmers' Bank was made. So we have this point absolutely clear,—these papers were not submitted to the Deputy Minister of Justice, and were not submitted to the Treasury Board. Well, what happened? The funniest thing of all happened. The Deputy Minister, having notified this gem-like character, Travers, of a difficulty—for he says, 'opposition is offered'—on the 24th of October, is dreadfully afraid he might attempt to explain and create further difficulty. So having got rid of the evidence of Mr. McCarthy laid before the Minister of Finance, and having refused the repeated offers of Mr. McCarthy to come and discuss the whole matter with the Minister

of Finance, on the 7th of November, the very day on which the papers were returned to Mr. McCarthy, Mr. Boville says the coast is clear—not in those words, but in a more definite form. He does it promptly; he says:

W. R. Travers, Esq.,  
General Manager,  
The Farmers' Bank of Canada,  
Toronto, Ont.

Dear Sir,—Referring to my letter to you of the 2nd inst., inclosing copy of a letter addressed to Mr. Fielding by Mr. Leighton McCarthy by way of a protest to the granting of a certificate to your bank to commence business, I beg to state that I am advised by Mr. McCarthy that the objections which he made to the issue of a certificate have been withdrawn.

That is not true. Mr. McCarthy had made a series of objections on behalf of his client, and so far as his client is concerned, those charges were withdrawn because these people had been bought off. But what I point out is this: Why in the name of common sense, why in the name of the rights of the people, has the Department of Finance to go out of its way to say: Don't answer that letter, don't take any chances, or complicate matters? We got rid of the McCarthy letter, don't say anything. It is like Alphonse and Gaston. Don't commit yourself, my dear Alphonse, says the Minister of Finance. I certainly will not, my dear Gaston, replies the innocent Mr. Travers. Well, that brings the issue down to the application.

#### A Manifestly Fraudulent Application.

The application was forwarded on the 27th of November, inclosed in a letter from Mr. Travers. It reached here on the 28th of November. We begin to do something then, there is no delay after that. On the 29th Mr. Travers is here, and these papers are here before him. There is his application, and his declaration verifying it. I need only read two clauses of that declaration, the fourth and the fifth, and these are the two clauses upon which the Department of Finance rely when they are trying to satisfy the Bankers' Association later on:

4. On the 23rd day of October, 1906,—  
(says Travers in his declaration),

—there had been actually bona fide subscribed 5,757 shares of the capital stock of the Farmers' Bank of Canada, and I have had personal knowledge of the applications and subscriptions, and each and all of the said subscriptions is and are on the printed form of application—a copy of which is now produced and marked Exhibit C to this, my declaration, and that the said subscriptions appeared on the stock books of the said bank, and that a sum beyond \$250,000 thereof in cash has been actually paid in by the subscribers of the same.

5. Now shown to me and marked Exhibit D to this my declaration, is a list of the subscribers to the capital stock of the bank, correctly setting forth as to each subscription, the name of the subscriber, his address, the number of shares subscribed for by him, the amount of such shares and the amount paid in thereon. Each of the said subscriptions is a bona fide subscription to the capital stock of the said bank.

#### Manifestly False, Too.

That is the statement made on oath by Mr. Travers, and filed with the department. It will be admitted surely that if, to the knowledge of the minister, that declaration was in any substantial matter untrue, it stamped Mr. Travers in such a way that his testimony ought not to be received. What will you say, Mr. Speaker, when I tell you that in that very application, attached to it as exhibit D, referred to in the clause I have just read, in that very list of subscribers are the names of the men who were in that suit, and whose names, as it was stated on oath, were every one of them fraudulently obtained? Let me read the names:

John McLeod, Milton, Ont., 1 share, \$100, \$50 paid; John Sproat, Mansewood, Ont., 100 shares, \$10,000, \$1,000 paid; Geo. Gastle, Milton, Ont., 10 shares, \$1,000, \$1,000 paid; Finlay McCallum, Milton, Ont., 10 shares, \$1,000, \$1,000 paid; W. A. Dixon, Milton, Ont., 50 shares, \$5,000, \$500 paid; James Murray, Mansewood, Ont., 10 shares, \$1,000, \$300 paid; John Stewart, Milton, Ont., 10 shares, \$1,000, \$100 paid; Geo. Denoon, Milton, Ont., 20 shares, \$2,000, \$2,000 paid; Robert Hume, Milton, Ont., 10 shares, \$1,000, \$100 paid; William McLean, Milton, Ont., 5 shares, \$500, \$50 paid; Wm. Harris, Milton, Ont., 5 shares, \$500, \$500 paid.

Yet there had been a suit of which the Minister of Finance and his Deputy Minister had complete knowledge, all of record in their own office, and brought to their knowledge by the newspapers, showing that as regards those eleven names, there was the most glaring evidence of fraud. There had been a refund, and these parties had been guaranteed and had been bought off, as the 'Globe' and 'Mail' and other Toronto newspapers, alleged. Yet their names are here as bona fide subscribers. They had given promissory notes, and the money had been refunded, and they had been bought up and silenced, and the fraud was compromised, the felony was compounded by those parties whosubsequently came to the Minister of Finance to get this certificate. The next step I need not spend any time upon. The minister forwards a file of the papers to the Deputy Minister of Justice, and the Deputy Minister of Justice says:

As regards the statements of Wm. R. Travers, they are sufficient if they are accepted.

And he leaves it in that way. I am glad that it is not contended that the minister submitted anything more to the Deputy Minister of Justice than the ques-



tion as to whether the form of the document as a legal document was sufficient for the purpose.

### Something Doing Now.

\* Now we begin to have things done promptly again after a considerable lack of promptness. Mr. Travers' application came on the 28th of November; Mr. Travers was here on the 29th of November. On the 30th of November we have a letter from Mr. Fielding to Mr. Travers. After referring to his inability to see Mr. Travers the day before, the minister says:

There is a phase of the matter which I should like to bring to your notice so that you may consider it at once. It has been represented to us that in some previous instances where an application was in all respects apparently regular, there was actually an evasion of the intention of the Bank Act in relation to the paid-up capital. We have been told that in some cases the subscribers did not actually pay in cash, but gave notes to the provisional directors, which were used to raise the money. On account of information of this kind, which had reached us in relation to a previous case, we deem it proper to scan very closely every application for a certificate which comes to us. I shall be glad to have an assurance that nothing of the kind has taken place in relation to the subscriptions for the Farmers' Bank, but that the amount set forth in the application as having been paid up, have in every case been bona fide cash payments.

Alphonse and Gaston come in again. Why did not the Finance Minister talk to this man in a business way? If a man goes into a bank, and they find that he has been guilty of misrepresentation and fraud, and he applies for a loan, the bank manager meets him and says: 'I want this matter cleared up before you can do any business with us; if you show that you are an honest man, we will deal with you; if you cannot show that, you will not have any business dealings with us.' The Minister of Finance, however, was very polite and inoffensive to Mr. Travers in referring to what had been done in some other case, imaginary or real, as much as to say: 'You must not imagine for a moment that we think there was anything wrong in your case, but because there was something wrong in another case, we want to be exceedingly careful, and I shall be glad to have "an assurance" from you that all is right.'

### More Proof Wanted.

What did the Minister of Finance mean by an assurance in that case? Mr. Travers had made a solemn declaration which in law has all the force and effect of an oath rendering him liable to perjury. When the minister dictated that letter, did he mean anything or was it a sham? I will not for one moment believe that he meant it as a cloak; no one who knows

the Minister of Finance would suggest that. He meant what he said—he meant: 'I want some assurance; I want something better than your declaration; I want some proof that this matter is square and bona fide. I have your declaration; I have your letter of the 29th of October; I know that that letter was false; I have your declaration of the 27th of November; I know that it bears on its face the absolute refutation of its truth; and I want some assurance.' And what happens? The minister meant well; no doubt he did. But smooth Mr. Travers came to the minister, and the minister cross-examined him, he says; and what was the result? No result. After having determined to have an assurance, which meant some other evidence beyond the evidence of a man whom the records had convicted as being unreliable, he had an interview with that man, and, whether by the persuasion of Mr. Travers or by the persuasion of Mr. Calvert, perhaps the guarantee of Mr. Calvert that Mr. Travers was a superior class of man, and, therefore, eminently reliable, notwithstanding the fact that he had sent a false letter, notwithstanding the fact that he had made a false declaration which was on file in the department at that time, in some way which I cannot understand, which I am not bound to explain, the Minister of Finance decided to let this matter go through—a matter which I believe will be one of continued regret to the House, and the country, and, I have no doubt, to do the minister justice, a matter of regret to him also. Therefore, what we find is this, that instead of having any assurance from Mr. Travers, we have merely his verbal statement to the Minister of Finance, followed by this letter merely for the purpose of record:

Ottawa, November 30, 1906.

The Hon. W. S. Fielding,

In reply to your letter of the 30th November, I have to say that in the case of the Farmers' Bank of Canada the provisional directors did not raise the money in the way mentioned by you.

What does that mean? It certainly does not meet the letter which the Minister of Finance wrote; and if the cross-examination was no more successful than was the letter, the tender conscience of Mr. Travers was not very much hurt.

### Falsehood and Perjury Both Ignored.

The Minister of Finance, when he wrote the letter of the 30th of November, meant what he said. He realized that with the evidences of dishonesty which were spread out upon the record in his own office, he could not and dare not accept the statement of Mr. Travers, and he writes to him

for further assurance; but, by some means, I know not what—some means which are very much to be regretted—honest, so far as the Minister of Finance is concerned, I have no doubt at all, but by some unfortunate circumstance, the matter was allowed to go through, notwithstanding the determination of the minister a few hours before that it could not go through without further evidence. That is the most charitable construction I can put upon it.

#### A Busy Day.

Now, on the same 30th of November, the order in council was made; on the same 30th of November the certificate of the order in council was issued; on the same 30th of November the certificate was transmitted to Mr. Travers, addressed to Toronto, but handed to him here; on the same 30th of November the balance of the deposit, \$245,000, was handed over to Mr. Travers; pretty prompt action, with this fortunate circumstance, if it had been availed of, that the Minister of Finance could still have prevented the payment of that cheque if he had thought fit to do so. What have we on the 30th of November? We have the letter of the Minister of Finance to Mr. Travers; we have the interview of Mr. Travers with the Minister of Finance; we have the letter of Mr. Travers to the Minister of Finance; we have the order in council made upon the matter—all being carefully submitted to the Treasury Board; we have the certificate issued by the officials of the department; we have the cheque handed over, and the certificate handed over, and the whole matter closed—seven distinct transactions all in one busy day, the 30th of November, when it is urgent that this matter should be closed. This pretty nearly ends the chapter of incidents. We have also on that day the receipt for the money from Mr. Travers and of the 30th of November, the same day, we have a letter written by Sir E. S. Clouston, president of the Canadian Bankers' Association, an institution acting under the Bank Act, a branch, so to speak, of the administration of public affairs in Canada; we have a letter from him showing that what Mr. Travers had said was false. I read that letter:

CANADIAN BANKERS' ASSOCIATION,  
INCORPORATED 1900.

Montreal, November 30th, 1906.

Farmers' Bank of Canada.

T. C. Boville, Esq.,  
Deputy Minister of Finance,  
Ottawa.

Dear Sir,—In connection with the application of the Farmers' Bank of Canada for the usual cer-

tificate from the Treasury Board, I have reason to believe that the money lodged, or to be lodged, at Ottawa as stock subscriptions, cannot be regarded as paid-up capital, and that a large proportion of amount necessary to the obtaining of a certificate is a loan made upon the promise of its payment when returned by your department.

Permit me to request that, if only for the protection of the public, the Treasury Board will exercise its right to refuse the issue of a certificate if it thinks best so to do, until a thorough investigation has been made into the circumstances stated herein.

E. S. CLOUSTON,  
President.

And I may state to you, Mr. Speaker, so as to have it on record, that that turns out to be absolutely true—at least \$20,000 of the capital was borrowed, independently of the amounts borrowed on promissory notes, to make up the deposit with the government.

#### The Duty of the Minister.

Now, Sir, what do I say that the Finance Minister should have done? I say in the first place that he should have refused the certificate. It never should have been issued. The next point I make is that even though through providence or mistake this certificate was issued in good faith, it was still the duty of the Minister of Finance to see that the result should not be prejudicial to the public. I will not quibble as to the question of cancellation, I will not quibble as to the question of a royal commission. Notwithstanding the fact that a royal commission did issue in the insurance case on less grounds than existed here and without consulting parliament, and under the same Act that would have to be invoked in this case, I do not need to argue upon that point. I say that when on the 30th November or the 1st December at latest, the knowledge came to the Finance Minister that he had been deceived, it became the duty of the minister, beyond question, to see that the public should not be defrauded. Can there be any doubt about it? The cheque was not paid; Mr. Travers was a criminal, the Minister of Finance knew it on the 1st December if he did not know it before, and a criminal is a coward the world over, and the minister had only to telegraph Mr. Travers to come to Ottawa, and he would have come by the first train. And criminal as he was to the knowledge of the minister on the 1st December if not before, the minister had him at his feet, and could have shaken him as a mastiff could shake a terrier, and he could have made him disgorge that cheque in less time than I take to tell you, and he could have made him give up that certificate rather than be landed behind the bars. That was the duty of the minister. I was going to call to your attention, Mr.

Speaker, the peculiar significance of the promptness with which everything that facilitated the action of Mr. Travers transpired. I do not want to insinuate for a moment—and I want it to be distinctly understood that in what I say this afternoon I do not make any charge of want of good faith against the minister—but it is a circumstance unfortunate in itself that this kind of thing happened in this particular case when there ought to have been more delay, and more investigation. There ought to have been such an investigation as would inevitably have prevented the happening of this disaster which will ruin a large number of people in the province of Ontario. Therefore, without imputing to the Minister of Finance any wilful wrong or misconduct or want of good faith, I do think that the Minister of Finance, as a public man in his public capacity, does deserve the censure of this House and of the people of Canada through this House, for the great wrong that has been inflicted upon a large number of deserving people throughout the province of Ontario; many of whom can not afford the enormous loss entailed upon them.

#### Ignored all Warnings.

I say so because the minister was warned time and again. The minister is a clever man, we all recognize that—sometimes we think he ought to put it to better account—but he is a clever, astute man, and a warning to such a man ought to have some effect. He was warned by his own opinion about the matter; he was warned when these men came back a second time for the renewal of their charter, because, as he tells us himself, he realized that, having hawked their stock about for two years unsuccessfully, they were not the best class of men to go into the banking business. That should have made him more cautious about investigating before granting the certificate. He was warned by previous cases as to which he writes to Mr. Travers; he was warned by Travers' letter of the 29th October, which from his own knowledge of the circumstances was false; he was warned many times by the hon. member for Hal-

ton—and when I say that I do not choose to believe the member for Halton in preference to the Minister of Finance except upon the broad principle that having faith in both of them as being absolutely anxious to tell what is right, I recognize that the member for Halton has fewer charges upon his memory than has the Minister of Finance and also that he is speaking of a fact positive, and the Minister of Finance is only speaking of a matter of recollection. I will say nothing about the warning of Mr. Osler, M.P. for Toronto, because that point is still open. He was warned by Mr. McCarthy's letters of the 8th and 19th October, and he refused the offers Mr. McCarthy made to have a personal interview. He was warned by the legal documents—explicit, full and direct as to general misconduct, evasion of the Bank Act, and dishonesty, forwarded by Mr. McCarthy. He was warned by the newspapers which contained a full account of the fraud by which these Halton farmers had been robbed, and he was warned by the qualified and cautious withdrawal of Mr. McCarthy which was as much as to say: You do as you like, but I want to have it understood that I only withdraw so far as my clients are concerned. And, the Minister of Finance was warned, in a way that I cannot understand his ignoring, by the conclusive falsehoods stamped upon the face of the declaration and application which Mr. Travers filed in his department. This being the case, reluctant as I am to say anything in any degree harsh as regards the Minister of Finance, having due regard for him as a public man, yet realizing as I do that he failed to discharge the duty which he owed parliament in connection with the Farmers' Bank, I beg to move:

That all the words after the word "that" in the proposed motion be omitted, and the following substituted therefor:—

This House regrets that in permitting the Farmers' Bank of Canada to commence and to continue business, the Minister of Finance and the Treasury Board failed to exercise such proper care and to take such reasonable precautions as were necessary to prevent evasion of the law and to protect the public interest.